



**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Financial Statements and Supplementary
Information on Expenditures of Federal Awards

Year Ended June 30, 2019

(With Independent Auditors' Report and
Reports on Internal Control and Compliance Thereon)

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

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Independent Auditors' Report

The Board of Trustees
Wildlife Conservation Society:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Wildlife Conservation Society and subsidiaries (WCS), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wildlife Conservation Society and subsidiaries as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

*Emphasis of Matter*

As discussed in note 2(t) to the consolidated financial statements, the Wildlife Conservation Society and subsidiaries adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities* (ASU 2016-14), during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Wildlife Conservation Society and subsidiaries' 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 2(t) that were applied to adopt ASU 2016-14 retrospectively in the 2018 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying indirect cost rate calculation is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the indirect cost rate calculation is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 on our consideration of WCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WCS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WCS's internal control over financial reporting and compliance.

KPMG LLP

October 23, 2019, except for our report on the supplementary indirect cost rate calculation, for which the date is March 2, 2020.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Balance Sheet

June 30, 2019

(with summarized financial information as of June 30, 2018)

Assets	2019	2018
Cash and cash equivalents	\$ 40,657,576	53,193,856
Miscellaneous receivables	5,044,450	2,837,484
Receivables from the City of New York (note 13)	77,334,086	61,706,615
Receivables from the State of New York	2,298,867	2,731,947
Receivables from U.S. Federal sources	12,376,507	33,976,640
Contributions receivable, net (note 7)	7,489,582	4,313,585
Non-U.S. government and bilateral grants and contracts receivables (note 7)	17,932,452	27,136,648
Private organization grants and contracts receivables (note 7)	25,294,072	35,823,596
Inventories	2,658,439	2,415,093
Prepaid expenses	4,034,564	6,296,062
Investments (notes 3 and 4)	466,793,626	472,916,726
Amounts held in trust by others (note 3)	1,857,717	1,918,229
Funds held by bond trustee (notes 3 and 10)	3,122,038	14,870,444
Property and equipment (note 8)	440,745,375	385,047,064
Collections (note 2n)	—	—
Total assets	<u>\$ 1,107,639,351</u>	<u>1,105,183,989</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses (notes 11 and 12)	\$ 49,374,074	59,137,273
Grants and contracts liabilities	22,883,799	—
Annuity liabilities	2,859,404	2,969,301
Loans payable (note 9)	6,953,333	7,000,000
Bonds payable (note 10)	134,010,980	134,683,484
Postretirement benefit obligation (note 12)	48,778,892	45,569,730
Total liabilities	<u>264,860,482</u>	<u>249,359,788</u>
Commitments and contingencies (notes 2r, 9, 12, and 13)		
Net assets:		
Without donor restrictions:		
General operating	(3,018,568)	—
Board designated	101,082,650	102,617,253
Net investment in property and equipment	301,144,576	256,364,955
Total without donor restrictions	<u>399,208,658</u>	<u>358,982,208</u>
With donor restrictions:		
Purpose restricted (note 6)	172,057,815	225,439,597
Endowment corpus (note 6)	271,512,396	271,402,396
Total with donor restrictions	<u>443,570,211</u>	<u>496,841,993</u>
Total net assets	<u>842,778,869</u>	<u>855,824,201</u>
Total liabilities and net assets	<u>\$ 1,107,639,351</u>	<u>1,105,183,989</u>

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Activities

Year ended June 30, 2019

(with comparative summarized financial information for the year ended June 30, 2018)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenues:				
Contributions	\$ 16,877,538	19,508,190	36,385,728	36,436,309
Bequests	1,084,517	27,650	1,112,167	3,783,119
Membership dues	15,894,345	—	15,894,345	13,119,019
Appropriation from the City of New York (note 13)	101,432,392	390,100	101,822,492	71,631,626
U.S. State agencies grants and contracts	5,048,158	89,542	5,137,700	4,983,471
U.S. Federal grants and contracts	14,936,030	—	14,936,030	39,458,055
Non-U.S. government and bilateral grants and contracts	7,987,607	—	7,987,607	15,100,928
Private organizations grants	11,333,228	14,553,010	25,886,238	43,821,792
Gate and exhibit admissions	41,403,262	—	41,403,262	32,463,456
Restaurant and merchandise sales and parking fees	29,884,301	—	29,884,301	27,033,303
Investment return (note 4)	12,780,527	7,081,950	19,862,477	41,029,709
Educational program and activities	3,860,348	—	3,860,348	2,811,236
Sponsorship, licensing, and royalties	1,286,188	—	1,286,188	919,345
Miscellaneous	2,722,903	—	2,722,903	3,494,648
	<u>266,531,344</u>	<u>41,650,442</u>	<u>308,181,786</u>	<u>336,086,016</u>
Net assets released from restrictions (note 6)	<u>94,922,224</u>	<u>(94,922,224)</u>	<u>—</u>	<u>—</u>
Total revenues	<u>361,453,568</u>	<u>(53,271,782)</u>	<u>308,181,786</u>	<u>336,086,016</u>
Expenses:				
Program services:				
Bronx Zoo	79,989,715	—	79,989,715	81,053,764
New York Aquarium	29,444,773	—	29,444,773	19,099,956
City Zoos	26,975,440	—	26,975,440	25,223,182
Restaurant, merchandise, and parking expenses	21,236,265	—	21,236,265	19,168,606
Global Conservation Programs	120,480,404	—	120,480,404	116,358,918
Total program services	<u>278,126,597</u>	<u>—</u>	<u>278,126,597</u>	<u>260,904,426</u>
Supporting services:				
Management and general	29,117,694	—	29,117,694	29,930,048
Membership solicitation and fulfillment	2,419,880	—	2,419,880	1,245,292
Fund-raising	9,181,024	—	9,181,024	10,718,352
Total supporting services	<u>40,718,598</u>	<u>—</u>	<u>40,718,598</u>	<u>41,893,692</u>
Total expenses	<u>318,845,195</u>	<u>—</u>	<u>318,845,195</u>	<u>302,798,118</u>
Excess (deficiency) of revenues over expenses and plant renewal funding	42,608,373	(53,271,782)	(10,663,409)	33,287,898
Other changes:				
Postretirement-related changes other than net periodic postretirement benefit costs (note 12)	<u>(2,381,923)</u>	<u>—</u>	<u>(2,381,923)</u>	<u>(1,934,997)</u>
Changes in net assets	40,226,450	(53,271,782)	(13,045,332)	31,352,901
Net assets at beginning of year	<u>358,982,208</u>	<u>496,841,993</u>	<u>855,824,201</u>	<u>824,471,300</u>
Net assets at end of year	<u>\$ 399,208,658</u>	<u>443,570,211</u>	<u>842,778,869</u>	<u>855,824,201</u>

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

Year ended June 30, 2019

(with comparative summarized financial information for the year ended June 30, 2018)

	<u>Bronx Zoo</u>	<u>New York Aquarium</u>	<u>City Zoos</u>	<u>Restaurant, merchandise, and parking expenses</u>	<u>Global conservation programs</u>	<u>Total program services</u>
Salaries and wages	\$ 29,387,406	6,628,330	12,994,748	7,354,979	39,345,540	95,711,003
Employee benefits and payroll taxes	13,157,197	2,996,603	6,772,449	2,208,534	11,175,421	36,310,204
Employment costs	86,725	6,755	6,569	45	2,386,060	2,486,154
Total salaries and related expenses	42,631,328	9,631,688	19,773,766	9,563,558	52,907,021	134,507,361
Consultancy fees	82,376	25,255	19,509	—	11,333,217	11,460,357
Purchased services	1,791,215	600,607	326,486	630,383	4,980,030	8,328,721
Grants	103,470	—	—	—	15,745,522	15,848,992
Professional fees	163,792	110,401	92,195	11,723	1,831,136	2,209,247
Property and casualty insurance	1,771,617	389,311	214,189	100	1,361,872	3,737,089
Advertising	2,036,559	340,368	33,076	88,643	322,291	2,820,937
Repairs and maintenance	3,258,471	1,617,979	816,205	394,705	1,409,737	7,497,097
Supplies and materials	3,336,498	1,215,576	1,474,710	755,942	9,284,861	16,067,587
Animal food and forage	1,938,546	306,466	581,672	4,243	—	2,830,927
Telephone	110,057	58,027	134,142	44,925	1,007,751	1,354,902
Heat, light, and power	3,589,491	1,380,932	122,645	15,928	380,187	5,489,183
Travel	392,822	116,189	128,709	44,187	14,197,800	14,879,707
Dues and fees	128,398	88,402	130,882	623	134,111	482,416
Postage and shipping	50,162	120,078	12,038	4,513	439,446	626,237
Cost of product sold	—	—	—	7,180,908	—	7,180,908
Collection accessions	240,225	313,929	7,615	—	—	561,769
Currency translation loss	—	—	—	—	1,340,953	1,340,953
Bond interest expense	3,564,321	1,166,996	—	—	—	4,731,317
Occupancy	900,000	1,000,000	1,230,000	71,758	2,068,230	5,269,988
Depreciation	13,511,945	10,957,598	1,563,372	1,236,455	1,265,677	28,535,047
Other	388,422	4,971	314,229	1,187,671	470,562	2,365,855
Total 2019 expenses	\$ <u>79,989,715</u>	<u>29,444,773</u>	<u>26,975,440</u>	<u>21,236,265</u>	<u>120,480,404</u>	<u>278,126,597</u>
Total 2018 expenses	\$ 81,053,764	19,099,956	25,223,182	19,168,606	116,358,918	260,904,426

See accompanying notes to consolidated financial statements.

Management and general	Membership solicitation and fulfillment	Fund-raising	Total supporting services	Total 2019	Total 2018
15,018,955	368,854	5,017,579	20,405,388	116,116,391	111,718,264
4,623,883	104,770	1,536,533	6,265,186	42,575,390	40,524,008
415,227	—	11,575	426,802	2,912,956	3,086,596
20,058,065	473,624	6,565,687	27,097,376	161,604,737	155,328,868
619,072	—	348	619,420	12,079,777	11,932,799
1,320,978	1,128,531	968,512	3,418,021	11,746,742	13,923,926
15,744	—	—	15,744	15,864,736	15,363,062
1,942,002	81,432	496,842	2,520,276	4,729,523	4,265,301
159,892	—	17	159,909	3,896,998	3,081,552
49,987	238,500	155,564	444,051	3,264,988	3,991,456
1,042,180	26,264	80,436	1,148,880	8,645,977	7,438,661
1,072,412	284,484	318,344	1,675,240	17,742,827	18,426,510
2,770	—	—	2,770	2,833,697	2,386,940
182,332	5,639	15,959	203,930	1,558,832	1,496,856
1,257	—	—	1,257	5,490,440	5,537,075
621,789	4,028	246,622	872,439	15,752,146	15,873,287
129,440	—	191,615	321,055	803,471	675,553
29,506	108,269	41,644	179,419	805,656	618,984
—	—	—	—	7,180,908	6,495,199
—	—	—	—	561,769	874,956
144,615	—	—	144,615	1,485,568	21,800
—	—	—	—	4,731,317	3,947,865
331,941	—	—	331,941	5,601,929	5,793,700
764,971	34,102	—	799,073	29,334,120	22,051,041
628,741	35,007	99,434	763,182	3,129,037	3,272,727
<u>29,117,694</u>	<u>2,419,880</u>	<u>9,181,024</u>	<u>40,718,598</u>	<u>318,845,195</u>	<u>302,798,118</u>
29,930,048	1,245,292	10,718,352	41,893,692		

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Consolidated Statement of Cash Flows

Year ended June 30, 2019

(with comparative summarized financial information for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ (13,045,332)	31,352,901
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	29,334,120	22,051,041
Amortization of bond issuance costs	110,545	110,545
Amortization of bond premium	(783,049)	(783,049)
Net appreciation in fair value of investments	(22,490,662)	(43,012,912)
Forgiveness of debt	—	(6,000,000)
Postretirement-related change other than net periodic postretirement benefit cost	2,381,923	1,934,997
Increase (decrease) in value of amounts held in trust by others	60,512	(29,580)
Endowment contributions	(110,000)	(136,000)
Contributions and grants restricted for building improvements	(65,000)	—
Changes in assets and liabilities:		
Accounts receivable	(2,206,966)	554,251
Receivable from the City of New York	411,003	(2,486,061)
Receivable from the State of New York	214,547	89,244
Receivable from Federal sources	21,600,133	4,805,061
Grants and contributions receivable	(3,254,752)	3,521,140
Other government and bilateral grants	9,204,196	2,621,933
Private grants and contracts	10,529,524	(4,284,796)
Inventories	(243,346)	267,907
Prepaid expenses and deferred charges	2,261,498	530,350
Accounts payable and accrued expenses	7,125,246	2,038,282
Grant and contract liability	22,883,799	—
Postretirement benefit obligation	827,234	1,346,344
Total adjustments	<u>77,790,505</u>	<u>(16,861,303)</u>
Net cash provided by operating activities	<u>64,745,173</u>	<u>14,491,598</u>
Cash flows from investing activities:		
Proceeds from sales of investments	70,151,593	111,746,660
Purchases of investments	(41,537,831)	(76,539,173)
Acquisition of property and equipment	(85,032,431)	(63,219,292)
(Decrease) increase in accounts payable and accrued expenses for construction projects	<u>(16,888,440)</u>	<u>11,573,757</u>
Net cash used in investing activities	<u>(73,307,109)</u>	<u>(16,438,048)</u>
Cash flows from financing activities:		
Endowment contributions	110,000	136,000
Contributions and grants restricted for building improvements	65,000	—
Increase in receivable from government sources for capital expenditure	(15,819,941)	(20,132,067)
Decrease in contributions and grants receivable for capital	78,755	61,160
Decrease in funds held by bond trustee	11,748,406	5,218,967
Decrease in annuity liability, net	(109,897)	(12,999)
Payments for loans payable	<u>(46,667)</u>	<u>—</u>
Net cash used in financing activities	<u>(3,974,344)</u>	<u>(14,728,939)</u>
Net decrease in cash and cash equivalents	<u>(12,536,280)</u>	<u>(16,675,389)</u>
Cash and cash equivalents at beginning of year	<u>53,193,856</u>	<u>69,869,245</u>
Cash and cash equivalents at end of year	<u>\$ 40,657,576</u>	<u>53,193,856</u>
Supplemental disclosure:		
Interest paid	\$ 6,108,225	6,108,225

See accompanying notes to consolidated financial statements.

**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2019

(with comparative summarized financial information as of and for the
year ended June 30, 2018)

(1) The Organization

The accompanying consolidated financial statements present the financial position, changes in net assets, functional expenses and cash flows of the Wildlife Conservation Society (WCS) and its affiliates and wholly owned subsidiaries.

WCS is a New York not-for-profit corporation founded and incorporated in 1895 as the New York Zoological Society. The Internal Revenue Service has determined that WCS is an organization described in Sections 501(c)(3), 170(b)(1)(A)(vi), and 509(a)(1) of the Internal Revenue Code (the Code) and is exempt from Federal income tax under Section 501(a) of the Code. WCS saves wildlife and wild places worldwide through science, conservation action, education, and inspiring people to value nature. That mission is achieved through our global conservation programs and through the management of the world's largest system of urban wildlife parks—the Bronx Zoo; the New York Aquarium; and the Central Park, Queens, and Prospect Park Zoos (the City Zoos).

WCS has formed various corporate entities from time to time to enable it to carry out its mission more effectively and efficiently. The following are descriptions of the affiliates and wholly owned subsidiaries of WCS reflected in the accompanying consolidated financial statements. These entities each have charitable, educational, and scientific and conservation nonprofit objectives and purposes.

182 Flight Corp. (182 FC) is a Delaware nonprofit, nonstock corporation, whose sole member is WCS. 182 FC is not tax-exempt.

Autonomous Noncommercial Organization Wildlife Conservation Society (WCS ANO) is a nonmembership, unitary, autonomous, noncommercial organization organized and tax-exempt under the laws of the Russian Federation.

BATAGUR Co, Ltd. (BATAGUR) is a private limited liability company organized under Cambodian law to hold land for conservation purposes. BATAGUR is not tax exempt.

Conservation Flight LLC (CF) is a Delaware limited liability company whose sole member is WCS. CF is a disregarded entity for tax purposes.

Conservation Livelihoods International LLC (CLI) is a nonprofit Delaware limited liability company whose sole member is WCS. CLI is a disregarded entity for tax purposes.

Ibis Rice Conservation Co., LTD (Ibis Rice Co.) is a private limited company organized under Cambodian law. Ibis Rice Co. is not tax exempt.

Makira Carbon Company LLC (MCC) is a Delaware limited liability company whose sole member is WCS. MCC is a disregarded entity for tax purposes.

Professional Housing Corporation (PHC) is a nonprofit, nonstock corporation incorporated in the State of Delaware whose sole member is WCS. PHC is exempt from Federal income tax as a title holding company under Section 501(c)(2) of the Code.

(Continued)

**WILDLIFE CONSERVATION SOCIETY
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Notes to Consolidated Financial Statements

June 30, 2019

(with comparative summarized financial information as of and for the
year ended June 30, 2018)

SANSOM MLUP PREY (SMP) is a nonprofit organization organized under Cambodian law. SMP is exempt from income tax.

Seima Carbon Company LLC (SCC) is a Delaware limited liability company whose sole member is WCS. SCC is a disregarded entity for tax purposes.

Tierras LLC is a Delaware single-member limited liability company whose sole member is WCS. Tierras LLC is a disregarded entity for tax purposes and carries on wildlife and land conservation on certain lands in Chile held indirectly through wholly owned subsidiaries, including Tierra De Guanacos LLC, Tierra De Truchas LLC, Tierra de Guanacos LLC Uno Limitada, and Tierra de Guanacos LLC Dos Limitada.

WCS-Associação Conservação da Vida Silvestre (WCS Brasil) is a not-for-profit civil association organized and tax-exempt under the law of the State of Rio de Janeiro, Brazil.

WCS Wildlife Conservation Society Canada (WCSC) is a nonprofit corporation under the Canada Not-for-profit Corporations Act whose sole member is WCS. WCSC is a tax-exempt, Canadian registered charity.

WCS Global Conservation UK (f/k/a WCS Europe) is a private company limited by guarantee and a registered, tax-exempt charity formed under the law of England and Wales, whose sole member is WCS.

Wildlife Conservation Society India (WCS India) is a tax-exempt company limited by guarantee established under Indian law.

Wildlife Conservation and Science (Malaysia) Bhd (WCS Malaysia) is a company limited by guarantee incorporated under Malaysian law. WCS Malaysia is not tax-exempt.

Wild Lands Conservation Society (WLCS) is a nonprofit, nonstock corporation incorporated in the State of Delaware whose sole member is WCS. WLCS is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Code. WLCS is not operational.

YAYASAN CELEBICA (CELEBICA) is a nonprofit foundation organized under the laws of Indonesia principally to hold land for conservation purposes. CELEBICA is exempt from income tax on donation and grant revenues.

WCS EU is an international non-profit organization organized September 13, 2018 under the laws of Belgium, and is exempt from corporate income tax.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All intercompany transactions have been eliminated in consolidation.

(Continued)

**WILDLIFE CONSERVATION SOCIETY
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(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include net realizable value of receivables, the fair value of alternative investments, postretirement benefit obligations and related costs, and functional allocation of expenses. Actual results could differ from those estimates.

(c) Basis of Presentation

WCS's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of WCS and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. WCS delineates net assets without donor restrictions into the following categories:

General operating – Represents operating activity exclusive of depreciation expense, inclusive of the investment return allocated for spending based on WCS's spending rate, and transfers between general operating and board-designated;

Board-designated – Represents amounts designated by the board of trustees, principally for long-term investment, and transfers to and from general operating and net investment in property and equipment; and

Net investment in property and equipment (Plant) – Represents property (land, buildings, and exhibits) and equipment and associated activities, including debt.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of WCS and/or the passage of time or that will be maintained permanently by WCS. Generally, the donors of assets to be maintained permanently permit WCS to use all or part of the return on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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(d) Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels in the fair value hierarchy are as follows:

Level 1 inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that WCS has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted or published prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

(e) Contributions

Contributions, including unconditional promises to give, are recognized initially at fair value as revenues in the period received. Contributions subject to donor-imposed restrictions that are met in the same reporting period are reported as revenues without donor restrictions. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions). Contributions to be received after one year are discounted using a risk-adjusted rate.

Contributions received with donor-imposed conditions are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Amounts received in advance of satisfying the donor-imposed conditions are reported as deferred revenue and contract liabilities.

(f) Grants and Contracts

WCS receives funding under grants and contracts from the government of the United States of America, United Nation agencies Kreditanstalt fur Wierderanfbau (KfW), the European Union (EU), and other public and private grantors, for direct and indirect program costs and to provide certain whole or partial sub-grants to other agencies. This funding is subject to contractual conditions, which must be met through incurring qualifying expenses for particular programs.

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Revenue from grants and contracts is recognized only when funds are utilized by the Organization to carry out the activity stipulated in the grant or contract agreement. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as grants and contracts liabilities.

(g) Other Significant Forms of Income

A WCS membership allows the member access to WCS park(s) for one year. The price of the membership is dependent on which parks the member will have access to, the level of access in the park(s) and if parking is included. In 2019, 65% of memberships were sold at park admission gates and the remainder either by mail or via the WCS web site. All membership sales are final. Memberships are not refundable or exchangeable, and are not for resale. The full year of access to benefits is conferred at the time of purchase, whether or not a member elects to use them. WCS recognizes the revenue from membership sales at the time of purchase.

WCS receives revenue from the sale of gate and exhibit admission tickets at the five parks. WCS also engages in retail sales related to food, merchandise and parking at the five parks. In both cases revenue related to such transactions is recognized at the time of purchase.

(h) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted or published market values. As a practical expedient, investments without a readily determinable fair value, such as the limited partnerships and alternative investments, are reflected at net asset value as reported by the fund managers or general partners, and may differ significantly from the values that would have been reported had a ready market for these investments existed. WCS reviewed and evaluated the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the limited partnerships and alternative investments.

(i) Property and Equipment

Expenditures for property and equipment, including buildings and improvements constructed on land owned by the City of New York, are capitalized and depreciated on a straight-line basis over estimated useful lives, which range from 5 to 20 years. Major projects and exhibits initiated but not yet completed are classified as construction in progress and are reclassified to the respective asset category and depreciated when completed and placed in service.

(j) Cash Equivalents

Cash equivalents include highly liquid debt instruments with original maturities of three months or less at time of purchase, except those included as part of WCS investments.

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(k) Split-Interest Agreements

WCS's split-interest agreements consist primarily of charitable gift annuities and life income funds. Contribution revenue is recognized at the date the assets are received after recording liabilities for either (i) the present value of estimated future payments to be made to the donors and/or other beneficiaries, or (ii) the discount to present value for a term equal to the life expectancy of the donor for pooled life income funds gifts. These liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Assets related to such agreements amounted to approximately \$3,144,459 and \$2,986,358 at June 30, 2019 and 2018, respectively. The carrying amount of split-interest agreement obligations approximates fair value because these instruments are recorded at the estimated net present value of future cash flows.

(l) Foreign Currency Translation

The U.S. dollar (dollars) is the functional currency for WCS's operations worldwide. Transactions in currencies other than dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in foreign currencies are translated into dollars using the exchange rates in effect at the consolidated balance sheet date. Revenue and expenses are translated into dollars using the exchange rate in effect on the transaction date. The resulting translation gain or loss is reflected in the consolidated statements of activities. Translation losses were approximately \$1,486,000 and \$22,000 as of June 30, 2019 and June 30, 2018, respectively.

(m) Accounting for Uncertainty in Income Taxes

WCS recognizes the benefit of tax positions when it is more-likely than-not that the position will be sustainable based on the merits of the position. There are certain transactions which could be deemed "Unrelated Business Income" and would result in a tax liability. Management reviews transactions to estimate the potential tax liabilities using a threshold of more likely than not of being sustained. It is management's estimation that there are no material tax liabilities that need to be recorded.

(n) Collections

WCS-operated facilities care for and exhibit an extensive collection of animals, including rare and endangered species. Expenditures for collections are not capitalized.

(o) Functional Expense Allocation

The consolidated financial statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of WCS are reported as expenses of those functional areas. Expenses attributable to more than one program or supporting function are principally allocated based on activity.

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(p) Presentation of Certain Prior Year Information

The consolidated financial statements include certain prior year summarized information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with WCS's consolidated financial statements for the year ended June 30, 2018 from which the summarized information was derived.

(q) Subsequent Events

In conjunction with the preparation of the consolidated financial statements, WCS evaluated subsequent events from June 30, 2019 and through October 23, 2019, the date on which the consolidated financial statements were issued, and has concluded that there are no subsequent events to be disclosed.

(r) Contingencies

In the usual course of carrying out its mission, WCS may be a party to litigation and other claims. WCS carries insurance that, generally, covers costs of defending and settling such litigation and claims. While it is not feasible to predict the ultimate outcomes of such matters, WCS's management is not aware of any pending litigation or claims that would have a material adverse effect on WCS's financial position.

(s) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(t) New Authoritative Accounting Pronouncements

Accounting Standards Update (ASU) No. 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities*. This guidance, effective for WCS's fiscal year ended June 30, 2019, is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. WCS adopted the provisions of this guidance which include presentation of two classes of net assets rather than the previously required three: net assets without donor restrictions, previously reported as unrestricted net assets of \$358,982,208; and net assets with donor restrictions, previously reported as temporarily restricted net assets of \$225,439,597 and permanently restricted net assets of \$271,402,396 in 2018. The guidance also enhances disclosures for Board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance, effective for WCS's fiscal year ended June 30, 2019, is intended to improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update assist an entity with (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Accounting Standards Codification Topic 958, Not-for-Profit Entities,

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or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The impact of the new time and restricted purpose rules for the recognition of grant contribution revenue required WCS to record grant expenditures of \$3 million in excess of grant revenue as a result of milestones that have not been met as of June 30, 2019. Additionally WCS recorded \$22 million in grants and contracts liabilities for cash received prior to fulfilling the conditions set forth in the grants and contracts agreements as of June 30, 2019.

ASU No. 2014-09, *Revenue from Contract with Customers (Topic 606)*. This guidance, effective for WCS's fiscal year ended June 30, 2019, clarifies the principles for recognizing revenue and creates a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). Management has determined that this ASU did not significantly impact the WCS's consolidated financial statements.

ASU No. 2016-02, *Leases (Topic 842)*. This guidance, effective for WCS's fiscal year ending June 30, 2020 with early application permitted, is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheet and disclosing key information about leasing arrangements. WCS is currently evaluating the impact of this ASU and expects to apply it using the modified retrospective approach for the year ending June 30, 2020.

(3) Fair Value

WCS assets at June 30, 2019 are summarized in the following table:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Directly managed investments:				
Cash and short-term investments	\$ 356,171	356,171	—	—
Common stocks – domestic	16,534,621	16,534,621	—	—
Mutual funds – equity domestic	1,594,163	1,594,163	—	—
Mutual funds – fixed income:				
U.S. government	4,700,470	4,700,470	—	—
U.S. corporate	14,179,201	14,179,201	—	—
Mutual funds – natural resources	4,480,077	4,480,077	—	—
	<u>41,844,703</u>	<u>41,844,703</u>	<u>—</u>	<u>—</u>

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	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments reported at net asset value (or its equivalent):				
Limited partnerships:				
Multi-asset class	\$ 295,110,059	—	—	—
Equity – domestic	26,002,252	—	—	—
Equity – international/ emerging markets	55,530,997	—	—	—
Fixed income – domestic	7,035,034	—	—	—
Other	149,083	—	—	—
Alternative investments:				
Private credit	1,596,541	—	—	—
Distressed securities	2,392,513	—	—	—
Equity – long/short	13,012,750	—	—	—
Multi-strategy	14,055,898	—	—	—
Private equity	4,707,203	—	—	—
Venture capital	5,356,593	—	—	—
Total investments reported at net asset value (or its equivalent)	<u>424,948,923</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	\$ <u>466,793,626</u>	<u>41,844,703</u>	<u>—</u>	<u>—</u>
Other assets:				
Funds held by bond trustee	\$ 3,122,038	3,122,038	—	—
Amounts held in trust by others	1,857,717	—	—	1,857,717
Total other assets	\$ <u>4,979,755</u>	<u>3,122,038</u>	<u>—</u>	<u>1,857,717</u>

Information with respect to the redemption provisions of investments reported at net asset value (or its equivalent) is as follows as of June 30, 2019:

<u>Liquidity</u>	<u>Days' notice</u>	<u>Amount</u>
Monthly	15	\$ 51,851,226
	30	22,404,636
	60	8,107,902
Quarterly	30	2,363,908
	60	17,591,711
	90	7,035,034
Annual	90, pays 25% quarterly	6,218,649
	1 Year, at 12/31	295,110,059
Illiquid	Not applicable	<u>14,265,798</u>
		\$ <u>424,948,923</u>

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WCS assets at June 30, 2018 are summarized in the following table:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Directly managed investments:				
Cash and short-term investments	\$ 4,793,371	4,793,371	—	—
Common stocks – domestic	20,002,420	20,002,420	—	—
Mutual funds – equity domestic	1,562,550	1,562,550	—	—
Mutual funds – fixed income:				
U.S. government	4,489,365	4,489,365	—	—
U.S. corporate	16,168,325	16,168,325	—	—
Mutual funds – natural resources	6,187,378	6,187,378	—	—
	<u>53,203,409</u>	<u>53,203,409</u>	<u>—</u>	<u>—</u>
Investments reported at net asset value (or its equivalent):				
Limited partnerships:				
Multi-asset class	295,380,866	—	—	—
Equity – domestic	26,992,523	—	—	—
Equity – international/ emerging markets	58,381,853	—	—	—
Fixed income – domestic	6,838,838	—	—	—
Other	172,016	—	—	—
Alternative investments:				
Private credit	1,482,651	—	—	—
Distressed securities	1,609,659	—	—	—
Equity – long/short	7,778,480	—	—	—
Multi-strategy	13,586,496	—	—	—
Private equity	3,720,922	—	—	—
Venture capital	3,769,013	—	—	—
	<u>419,713,317</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments reported at net asset value (or its equivalent)	<u>419,713,317</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 472,916,726</u>	<u>53,203,409</u>	<u>—</u>	<u>—</u>
Other assets:				
Funds held by bond trustee	\$ 14,870,444	14,870,444	—	—
Amounts held in trust by others	1,918,229	—	—	1,918,229
Total other assets	<u>\$ 16,788,673</u>	<u>14,870,444</u>	<u>—</u>	<u>1,918,229</u>

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The following tables present WCS's activity for the fiscal years ended June 30, 2019 and 2018 for Level 3 assets:

	Amounts held in trust by others
Fair value at June 30, 2018	\$ 1,918,229
Sales/distributions	(69,269)
Net appreciation in fair value of investments	<u>8,757</u>
Fair value at June 30, 2019	<u>\$ 1,857,717</u>

	Amounts held in trust by others
Fair value at June 30, 2017	\$ 1,888,649
Sales/distributions	(69,269)
Net appreciation in fair value of investments	<u>98,849</u>
Fair value at June 30, 2018	<u>\$ 1,918,229</u>

WCS had unfunded investment commitments totaling \$17.4 million as of June 30, 2019.

(4) Investments

The fair value of investments at June 30, 2019 and 2018 is as follows:

	2019	2018
Multi-asset class, including other alternative assets	\$ 295,110,059	295,380,866
Equity/equity funds	99,662,033	106,939,346
Alternative investments	41,270,581	32,119,237
Fixed income funds	25,914,705	27,496,528
Natural resources	4,480,077	6,187,378
Cash and short-term investments	<u>356,171</u>	<u>4,793,371</u>
	<u>\$ 466,793,626</u>	<u>472,916,726</u>

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WCS invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Investments reported at net asset value (or its equivalent) held by the WCS fall into the following basic strategies:

Private credit strategies – investments that provide debt financing to other lenders (or originating servicers) that originate and service consumer and other forms of debt.

Distressed securities hedge funds and private investments – investments through individual managers that invest in financial instruments that have suffered a substantial reduction in value. Distressed securities can include common and preferred shares, bank debt, trade claims (goods owed) and corporate bonds. WCS has one fund held in this strategy that does not provide redemption at this time.

Long/short equity hedge funds – investments through individual managers that take long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline.

Multi-strategy hedge funds – investments through individual managers that employ a broad range of investment strategies to seek benefit from opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies. WCS has one investment fund in the multi-strategy category which does not provide redemption due to side pocket investments.

Private equity – investments in fund managers that invest in the equity securities and debt in operating companies that are not publicly traded on a stock exchange. The investments have a long-term horizon and are illiquid in nature.

Venture capital – investments in fund managers that provide early stage financing to startup companies and small businesses that are believed to have long-term growth potential. The investments have a long-term horizon and are illiquid in nature.

WCS invests a significant portion of the investment portfolio in one manager, Makena Capital Management, LLC (Makena). Makena offers a pooled investment vehicle, the Makena Endowment Portfolio, utilizing a multi-asset manager structure. The net asset value of WCS investments in Makena as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Multi-asset class, including other alternative assets	\$ 295,110,059	295,380,866

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The Makena Endowment Portfolio is a highly diversified multi-asset class investment portfolio. The asset allocations for the Makena Endowment Portfolio as of June 30, 2019 are as follows:

Asset class	Percentage of portfolio
U.S. market equity	15%
Developed markets equity	10
Emerging markets equity	12
Private equity	22
Real estate	11
Natural resources	7
Absolute return	11
Fixed income	10
Cash	2
	100%

The components of investment return for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Interest and dividend income, net of investment expenses of \$3,212,595 and \$2,418,843 in 2019 and 2018, respectively	\$ (2,628,185)	(1,983,203)
Net appreciation in fair value of investments	22,490,662	43,012,912
Total investment return	19,862,477	41,029,709
Less investment return available under spending policy, including amounts restricted for time or purpose of \$9,637,604 in 2019 and \$7,678,071 in 2018	(26,429,937)	(22,125,526)
Investment return (less than) in excess of amount available under spending policy, including amounts restricted for time or purpose of (\$2,555,654) in 2019 and \$7,573,144 in 2018	\$ (6,567,460)	18,904,183

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(5) Endowment Funds

The WCS long-term investment portfolio includes donor-restricted endowment funds as well as funds without donor restrictions designated for long-term investment by the board of trustees, which are funds functioning as endowment. The primary management objective of the long-term investment portfolio is to preserve the real (inflation-adjusted) purchasing power of invested funds while providing a relatively predictable, stable, and constant (in real terms) payout for current use. The primary investment objective is to earn an average annual real (inflation-adjusted) return of at least 5% per year, net of management fees, over the long term (rolling five-year periods). The risk objective of the long-term investment portfolio is to achieve this return goal with minimal levels of risk and volatility through diversification. The primary objective of WCS's asset allocation policy is to provide a strategic mix of asset classes that produce the highest expected investment return while controlling risk.

The board of trustees has authorized a spending policy for endowments and funds functioning as endowment at a rate (spending rate) of up to 5% of the average fair value of its donor-restricted endowment funds and funds designated for long-term investment for the most recent 12-calendar-year quarters prior to the beginning of the current fiscal year. The average market value used for calculating endowment payout may be reduced to account for liquidity restrictions due to side pockets or other special restrictions to liquidity imposed by fund managers. The board of trustees may authorize additional spending, as needed, to finance special purposes, including capital expenditures, and operating deficits, if any, subject to donor restrictions.

WCS's endowment consists of 102 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds functioning as endowment). At June 30, 2019 and 2018, respectively, there were no endowment accounts that were less than their original fair value (i.e., were underwater).

WCS follows the provisions of the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA), a version of the Uniform Prudent Management of Institutional Funds Act. WCS has interpreted NYPMIFA as allowing WCS to appropriate for expenditure or accumulate so much of an endowment fund as WCS determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

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Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets at June 30, 2019 and 2018 consisted of the following:

	2019		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board-designated	\$ 101,082,650	—	101,082,650
Donor-restricted:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	271,512,396	271,512,396
Accumulated investment gains	—	57,665,490	57,665,490
Total	<u>\$ 101,082,650</u>	<u>329,177,886</u>	<u>430,260,536</u>
	2018		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Board-designated	\$ 102,617,253	—	102,617,253
Donor-restricted:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	271,402,396	271,402,396
Accumulated investment gains	—	60,261,770	60,261,770
Total	<u>\$ 102,617,253</u>	<u>331,664,166</u>	<u>434,281,419</u>

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Changes in endowment net assets for the fiscal years ended June 30, 2019 and 2018 were as follows:

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2018			
as reported	\$ 102,617,253	331,664,165	434,281,418
Net appreciation (realized and unrealized)	12,148,221	7,041,325	19,189,546
Contributions	—	110,000	110,000
Appropriation of endowment assets for expenditure	(16,792,333)	(9,637,604)	(26,429,937)
Transfer from board-designated endowment	3,109,509	—	3,109,509
Endowment net assets, June 30, 2019	<u>\$ 101,082,650</u>	<u>329,177,886</u>	<u>430,260,536</u>

	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2017			
as reported	\$ 112,052,468	323,939,748	435,992,216
Net appreciation (realized and unrealized)	26,130,217	15,266,488	41,396,705
Contributions	—	136,000	136,000
Appropriation of endowment assets for expenditure	(14,447,455)	(7,678,071)	(22,125,526)
Transfer from board-designated endowment	(21,117,977)	—	(21,117,977)
Endowment net assets, June 30, 2018	<u>\$ 102,617,253</u>	<u>331,664,165</u>	<u>434,281,418</u>

Board designated net assets represent funds, subject to the spending policy and appropriation which support domestic and global programs as well as general operations. Board-designated endowment net assets at June 30, 2019 and 2018 consist of the following:

	2019	2018
Zoos and Aquarium programs	\$ 41,953,350	45,373,029
General purposes	25,042,446	22,603,538
Global conservation programs	34,086,854	34,640,686
	<u>\$ 101,082,650</u>	<u>102,617,253</u>

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(6) Net Assets with Donor Restrictions

Net assets with purpose or time restrictions at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Amounts restricted for the following purposes:		
Zoos and Aquarium programs	\$ 107,649,010	113,879,626
Building and exhibit improvements	2,919,632	2,884,764
Global conservation programs	<u>61,489,173</u>	<u>108,675,207</u>
	<u>\$ 172,057,815</u>	<u>225,439,597</u>

Net assets that are restricted in perpetuity at June 30, 2019 and 2018 represent endowment gifts and consist of the following:

	<u>2019</u>	<u>2018</u>
Zoos and Aquarium programs	\$ 179,936,733	179,836,733
General purposes	5,374,514	5,374,514
Global conservation programs	<u>86,201,149</u>	<u>86,191,149</u>
	<u>\$ 271,512,396</u>	<u>271,402,396</u>

(7) Grants and Contributions Receivable

Grants and contributions receivable comprised of contributions receivable, Non-U.S. government and bilateral grants and contracts and private organization grant and contracts as of June 30, 2019 and 2018 are due to be collected as follows:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 40,382,227	57,414,099
One to five years	<u>10,853,161</u>	<u>10,210,714</u>
	51,235,388	67,624,813
Less present value discount (2% in 2019 and 2.85% in 2018)	<u>(519,282)</u>	<u>(350,984)</u>
	<u>\$ 50,716,106</u>	<u>67,273,829</u>

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(8) Property and Equipment

At June 30, 2019 and 2018, the cost and accumulated depreciation of property and equipment are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 651,268	651,268
Buildings and exhibits	586,900,447	581,990,503
Furniture, fixtures, and equipment	49,946,382	47,885,821
Construction in progress	<u>142,786,734</u>	<u>64,724,808</u>
	780,284,831	695,252,400
Less accumulated depreciation	<u>339,539,456</u>	<u>310,205,336</u>
	<u>\$ 440,745,375</u>	<u>385,047,064</u>

(9) Line of Credit and Loan Agreements

On March 31, 2017, WCS renewed a 3 year unsecured line of credit facility with Bank of America to support working capital needs, increasing the amount of the line from \$15,000,000 to \$30,000,000. The line of credit bears interest at the 1 month London Interbank Offered Rate (LIBOR) plus 0.60%. Interest is paid monthly and an unused credit facility is paid quarterly. There were no borrowings in fiscal 2019 or fiscal 2018.

On March 24, 2014, WCS obtained a \$7,000,000 10 year term unsecured loan from TD Bank which expires February 28, 2024. A principal payment of \$46,667 was paid during the fiscal year. The amount outstanding as of June 30, 2019 and 2018 was \$6,953,333 and \$7,000,000, respectively. The purpose of the loan is to finance the capital costs of the implementation of a new suite of financial and administrative systems. The loan bears interest at the 1-Month LIBOR plus 1.0%. Interest expense on the loan for the years ended June 30, 2019 and 2018 was approximately \$219,508 and \$176,833, respectively.

(10) Bonds Payable

On March 12, 2013, WCS entered into a Loan Agreement with the Trust for Cultural Resources of the City of New York (the Trust) to finance the costs of capital improvements at the Bronx Zoo and to refund the \$65,530,000 Series 2004 Revenue Bonds. The Trust issued \$79,180,000 in Revenue Bonds and including an original issue premium of \$13,726,479, proceeds totaled \$92,906,479. Upon issuance of the Series 2013A Bonds, the Series 2004 Bonds were refunded and legally defeased.

On February 13, 2014, WCS entered into a Loan Agreement with the Trust to finance improvements at the New York Aquarium as well as other improvements. In connection with the Agreement, the Trust issued \$44,430,000 of Revenue Bonds, Series 2014A. Including an original issue premium of \$3,109,846, proceeds totaled \$47,539,846.

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Obligations under Series 2013A Revenue Bonds and 2014A Revenue Bonds (collectively, the Bonds) consist of the following:

Description	Maturity date	Interest rate	Amount outstanding at June 30	
			2019	2018
Revenue Bonds Series A 2013:				
2032 Term Bond	2032	3.25 % \$	4,130,000	4,130,000
2042 Term Bond	2042	5.00	11,475,000	11,475,000
Serial Bond	2023	5.00	645,000	645,000
Serial Bond	2024	5.00	680,000	680,000
Serial Bond	2025	5.00	715,000	715,000
Serial Bond	2026	5.00	750,000	750,000
Serial Bond	2027	5.00	790,000	790,000
Serial Bond	2028	5.00	295,000	295,000
Serial Bond	2033	5.00	59,700,000	59,700,000
Revenue Bonds Series A 2014:				
2038 Term Bond	2038	5.00	12,110,000	12,110,000
2043 Term Bond	2043	5.00	15,545,000	15,545,000
Serial Bond	2024	5.00	1,325,000	1,325,000
Serial Bond	2025	5.00	1,395,000	1,395,000
Serial Bond	2026	5.00	1,465,000	1,465,000
Serial Bond	2027	5.00	1,540,000	1,540,000
Serial Bond	2028	5.00	1,620,000	1,620,000
Serial Bond	2029	5.00	1,700,000	1,700,000
Serial Bond	2030	5.00	1,790,000	1,790,000
Serial Bond	2031	5.00	1,880,000	1,880,000
Serial Bond	2032	5.00	1,980,000	1,980,000
Serial Bond	2033	5.00	2,080,000	2,080,000
			123,610,000	123,610,000
Less unamortized bond issuance cost			(1,758,524)	(1,869,069)
Net unamortized premium			12,159,504	12,942,553
Bonds payable			\$ <u>134,010,980</u>	<u>134,683,484</u>

While the Bonds are not the debt of WCS, the Loan Agreements obligate WCS to make payments equal to the debt service on the Bonds. The loans can be prepaid, without penalty, at any time.

Interest expense on the Bonds amounted to \$6,108,225 in both fiscal years ended June 30, 2019 and 2018. Interest expense, net of interest income of \$1,376,908 and \$2,160,360, has been capitalized in construction in progress at June 30, 2019 and 2018, respectively.

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Projected interest and principal payments are as follows:

	<u>Interest</u>	<u>Principal</u>
Fiscal year:		
2020	\$ 6,108,225	—
2021	6,108,225	—
2022	6,108,225	—
2023	6,108,225	—
2024	6,092,100	—
Thereafter	<u>63,985,512</u>	<u>123,610,000</u>
Total	<u>\$ 94,510,512</u>	<u>123,610,000</u>

WCS is required to establish and deposit with bond trustees certain funds for the benefit of bondholders, and to fulfill capital commitments. The funds are invested, principally in money market funds, by the trustees until withdrawn to effect the purposes for which they were generated.

(11) Deferred Compensation

WCS has established two deferred compensation plans which provide for certain benefits currently payable through June 30, 2024. WCS accrues the present value of the estimated future benefit payments over the period from the date of the plans' inception through the dates payable. WCS recognized expense of \$412,619 in 2019 and \$662,766 in 2018 related to the plans. A liability of \$1,918,308 and \$1,559,449 is reported in accounts payable and accrued expenses in the accompanying consolidated balance sheets as of June 30, 2019 and 2018, respectively.

(12) Retirement Benefits

All eligible WCS employees are members of the Cultural Institutions Retirement System's (CIRS) Pension, 401(k) Savings, and Group Life and Welfare Benefits Plans (the Plans). The CIRS Pension Plan (the Plan) is a cost sharing multiemployer plan that offers benefits related to years of service and final average salary. All participants become 100% vested after five years of service. There are no partial vesting provisions. WCS's pension expense related to this Plan was approximately \$8,353,000 and \$8,425,000 for the years ended June 30, 2019 and 2018, respectively. There have been no significant changes that affect the comparability of fiscal years 2019 and 2018 contributions. WCS's contributions to the Plan represent more than 5% of the total contributions to this plan for the years ended June 30, 2019 and 2018. The Employer Identification Number of the plan is 11-2001170. The three digit plan number is 001. On September 27, 2016, a new five-year contract was ratified governing CIRS benefits for the period July 1, 2015 through June 30, 2020. The most recent Pension Protection Act (PPA) zone status is green at June 30, 2019 and 2018 and, as required by the PPA, is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. As of the date the financial statements were issued, Form 5500 was not available for the plan year ended June 30, 2019.

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The expenses for the Group Life and Welfare Benefit Plans and the administrative costs for the Plans for the years ended June 30, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Group Life and Welfare Benefits	\$ 196,000	191,000
Administration (all three plans)	<u>1,122,000</u>	<u>1,055,000</u>
	<u>\$ 1,318,000</u>	<u>1,246,000</u>

In addition, WCS has the practice of converting a portion of accrued sick leave into a lump-sum terminal leave payout upon the retirement of certain nonunion employees retiring from active service meeting certain age and service criteria. Terminal leave payout is a contractual obligation for WCS's unionized staff. WCS accrues for this accumulated terminal leave payment obligation. During 2019 and 2018, WCS recognized expense of \$53,798 and \$168,672 related to the terminal leave, respectively. The present value of the terminal leave obligation amounted to \$1,835,399 and \$1,781,592 at June 30, 2019 and 2018, respectively, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

Furthermore, WCS also provides certain health care benefits for retired employees. Substantially all of WCS's employees may become eligible for those benefits if they reach normal retirement age while working for WCS. Effective January 1, 2013, WCS's contribution towards Medicare eligible nonunion post-retirement benefits was reduced to new fixed amounts that coincide with a change in plan design.

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The following table provides a summary of this unfunded plan as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 45,569,730	42,288,389
Service cost	2,023,735	1,907,756
Interest cost	1,739,043	1,724,820
Plan participants' contribution	240,710	260,752
Amendment – plan change	—	—
Actuarial (gain) loss	1,843,501	1,657,803
Benefits paid	<u>(2,637,827)</u>	<u>(2,269,790)</u>
Benefit obligation at end of year	<u>48,778,892</u>	<u>45,569,730</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	2,637,827	2,269,790
Benefits paid	<u>(2,637,827)</u>	<u>(2,269,790)</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Accumulated postretirement health and life insurance benefit obligation recognized in the consolidated balance sheet	<u>\$ (48,778,892)</u>	<u>(45,569,730)</u>
	<u>2019</u>	<u>2018</u>
Components of net periodic benefit expense:		
Service cost	\$ 2,023,735	1,907,756
Interest cost	1,739,043	1,724,820
Amortization of prior service credit	(868,715)	(868,715)
Amortization of net loss	<u>330,293</u>	<u>591,521</u>
Net periodic benefit expense	<u>\$ 3,224,356</u>	<u>3,355,382</u>

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Information with respect to plan assumptions and estimated future benefit payments is as follows:

	2019	2018
Benefit obligation weighted average assumptions as of June 30, 2019 and 2018:		
Discount rate	3.57%	4.12%
Benefit cost weighted average assumptions for the years ended June 30, 2019 and 2018:		
Discount rate	4.12%	3.97%

For measurement purposes, an annual rate of increase in the per capita cost of covered health care benefits of 7.5% in 2019 grading down to 4.75% in 2023 and thereafter was assumed.

As of June 30, 2019, a total loss of \$11,108,622, consisting of \$11,735,195 net actuarial loss and \$626,373 prior service credit, has not yet been recognized as a component of net periodic benefit costs.

As of June 30, 2018, a total loss of \$8,726,899, consisting of \$10,221,987 net actuarial loss and \$1,495,088 prior service credit, has not yet been recognized as a component of net periodic benefit costs.

During the years ended June 30, 2019 and 2018, (\$2,381,923) and (\$1,934,997) were reported, respectively, as postretirement-related change other than net periodic postretirement benefit costs. The components of the amounts are as follows:

	2019	2018
Net actuarial loss (gain)	\$ 1,513,208	1,066,282
Prior service cost	868,715	868,715
	\$ 2,381,923	1,934,997

It is estimated that \$868,715 of the prior service credit and \$511,065 of amortization of the net actuarial loss will be recognized as components of net periodic benefit costs in fiscal year 2019.

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Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects on the amounts reported for fiscal year 2019:

	<u>One- percentage- point increase</u>	<u>One- percentage- point decrease</u>
Impact of one-percentage-point change in health care cost trend rates:		
Effect on total service and interest cost components	\$ 630,998	(485,040)
Effect on the postretirement benefit obligation	6,991,050	(5,479,138)

Projected contributions and benefit payments for each of the next five fiscal years and the five fiscal years thereafter are as follows:

2020	\$ 1,813,000
2021	1,905,000
2022	2,013,000
2023	2,177,000
2024	2,280,000
2025 through 2029	<u>13,357,000</u>
	<u>\$ 23,545,000</u>

(13) The City of New York Support (the City)

Funds from the City support the Bronx Zoo, the New York Aquarium, and the City Zoos, in part, for operations and capital improvement purposes.

WCS operates the Bronx Zoo pursuant to a city grant made in 1897 and the New York Aquarium pursuant to an agreement with the City made in 1950. The Bronx Zoo and the New York Aquarium are under WCS's management and control. The City, through the Department of Cultural Affairs (DCA), appropriates funds to support certain operating costs. WCS received \$16,194,766 and \$15,660,917 in operating support during 2019 and 2018, respectively.

WCS and the City have entered into renewable agreements with respect to the City Zoos in Central Park, Prospect Park, and Queens providing for WCS's operation and management of these facilities. The City, through the Department of Parks and Recreation, reimburses for the excess of eligible expenses over revenues at these facilities and pays WCS a management fee. WCS received \$12,514,985 and \$12,199,406 in support during 2019 and 2018, respectively, under these agreements.

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The City, through its capital improvement budget, makes expenditures benefiting the Bronx Zoo, the New York Aquarium, and the City Zoos. In addition, the City provides capital appropriations directly to WCS for capital improvements. In fiscal years 2019 and 2018, this funding amounted to \$71,750,499 and \$40,283,340, respectively. In fiscal year 2019 and 2018, DCA made a capital expenditure of \$972,142 and \$3,255,463, respectively, for parking lot improvements and Con Edison Switchgear Upgrade for the Bronx Zoo and \$11,074,186 and \$8,418,086, respectively, related to the Ocean Wonders: Sharks! Exhibit and Sandy restoration for the New York Aquarium, which are included in the appropriation from the City of New York

In fiscal year 2019 and 2018, WCS also received, through the DCA, grants with restrictions totaling \$390,100 and \$232,500, respectively.

The amounts above are included in appropriation from the City in the accompanying consolidated statement of activities.

During 2017, WCS executed an agreement with the City for reimbursement of costs related to the restoration of storm damage at the New York Aquarium associated with Hurricane Sandy. The total amount incurred as of June 30, 2019 and 2018 was \$106,582,078 and \$52,140,715, of which \$59,348,709 and \$42,787,309, respectively, is included in receivable from the City in the accompanying consolidated balance sheet.

(14) Liquidity and Availability

WCS financial assets and resources available to meet cash needs for general expenditure within one year of the consolidated balance sheet were as follows at June 30, 2019:

	2019
Financial assets:	
Cash and cash equivalents	\$ 40,657,576
Miscellaneous receivables	5,044,450
Contributions and grants receivable	40,382,227
Receivables from the City and State of New York	79,632,953
Receivables from U.S. Federal sources	12,376,507
Investments: appropriated to spend in following year (fiscal 2020)	26,766,045
Total financial assets and other resources available within one year	\$ 204,859,758

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As a part of WCS liquidity management strategy, WCS structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. Cash withdrawals from the managed investment pool normally coincide with the endowment spending distribution. To help managed unexpected liquidity WCS has committed bank lines of credit in the amount of \$30 million, which can be drawn upon. Additionally, WCS has board-designated endowment funds of \$133.3 million as of June 30, 2019. Although WCS does not intend to spend from board designated endowment funds other than amounts appropriated for expenditure as part of the annual budget approval process, amounts from its board-designated endowment could be made available if necessary.

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Pass-through grantor/program title	CFDA number/ identifying number	Pass through entity identifying number	Amount provided to subrecipients	Expenditures
Research and development:				
Direct awards:				
Agency for International Development	98.001		\$ 5,196,373	15,079,212
National Science Foundation	47.RD		97,630	378,085
Department of the Interior	15.RD		600,538	6,316,933
National Aeronautics and Space Administration	43.001		—	90,097
Department of Agriculture	10.684		62,973	198,756
Department of Defense	12.RD		401,926	520,940
Department of State	19.RD		460,159	5,479,098
Total direct awards			<u>6,819,599</u>	<u>28,063,121</u>
Pass-through awards:				
Agency for International Development:				
University of California Davis – PREDICT 2	98.001	AID-OAA-A-14-00102	100,823	887,644
World Wildlife Fund – CAFEC: Virunga Forest Landscapes	98.011	AW79	(2,064)	196,993
World Wildlife Fund – CAFEC: Salonga Forest Landscapes	98.011	AW78	—	231,724
World Wildlife Fund – Paraguay Forest Conservation Agriculture Alliance	98.001	OT08	—	193,237
World Resource Institute – Strengthening Central Africa Environmental Management and Policy Support	98.001	4517	—	65,556
Chemonics International – Bijak Indonesia Project	98.001	S253	—	358,603
Chemonics International – Philippines Biodiversity and Watersheds Improved for Stronger Economy and Ecosystem Resilience (B+WISER) Program	98.001	B+WISER_WCS_1	—	73,356
Tetra Tech – USAID Saving Species Project	98.001	1089-WCS-001	—	125,238
Tetra Tech – LESTARI	98.001	AID-OAA-I-12-00032 / AID-497-15-00005	—	715,766
Tetra Tech – Improving Reef Fisheries Governance in Indonesia	98.001	001-S-HO-1087	—	638,087
Institute de Pasteur – PREDICT 2 Project	98.001	AID-OAA-A-14-00102	—	4,702
Nature Conservancy – Strengthening Landscape Scale Conservation in Northern Tanzania	98.001	NTRI-WCS-012816	—	6,552
Tetra Tech – Mikajy Activity	98.001	001-S-HO-1093-WCS	—	113,497
DAI Global LLC – Supporting the Policy Environment for Economic Development (SPEED+) in Mozambique	98.001	1002923-19S-31708-00	—	44,466
			<u>98,759</u>	<u>3,655,421</u>
National Science Foundation:				
Pace University – Curriculum and Community Enterprise for New York Harbor Restoration in New York City	47.076	CW2283344	—	50,762
			<u>—</u>	<u>50,762</u>
Department of the Interior:				
Fish and Wildlife Service:				
World Wildlife Fund – Improving Management in the Sangha Tri-National and Northern Congo Forest Landscape	15.651	AW76	—	214,086
National Fish and Wildlife Foundation – Mapping Common Eider Use of Beaufort Sea Barrier Islands for Oil Spill Response Planning	15.663	1201.17.057911	—	18,493
World Wildlife Fund – Connecting Conservation: Wildlife Corridors & Core Areas in the Sangha Tri-National Landscape and Northern Congo	15.651	F18AC00846	—	1,284,380
Conservation International Foundation – Reducing Trafficking of Cambodia's Cantor's Giant Soft-shelled Turtle	15.679	6004606	—	36,248
National Fish and Wildlife Foundation – Protecting Coastal Lagoons in the Southern Chukchi Sea: Project Chariot Revisit	15.RD	N/A	—	63,465
Wildlife Management Institute – White Nose Syndrome	15.657	N/A	—	13,669
National and Regional Climate Adaptation Science Centers:				
The Nature Conservancy – Landscape Sensitivity to Ecological Drought: The Knowns, Needs, and Solutions	15.820	N/A	—	932
The Nature Conservancy – SNAPP Ecological Drought Working Group: Landscape Sensitivity to Ecological Drought: The Knowns, Needs, and Solutions for the Real World	15.820	OCS-WCS-102017	—	7,991
Colorado State University – Enabling Climate-Informed Planning and Decisions about Species of Conservation	15.820	N/A	—	29,906
Bureau of Land Management:				
National Fish and Wildlife Foundation – Empowering Youth in Barrier Island Ecosystems	15.231	2100.17.055179	—	19,820
			<u>—</u>	<u>1,688,990</u>
Department of National Oceanic and Atmospheric Administration:				
RAND Corporation – Coastal and Ocean Climate Applications – Ecosystem Services for a Resilient Coast in a Changing Climate	11.431	9920170012	—	2,553
National Fish and Wildlife Foundation – Strengthening Capacity in the Solomon Islands to Plan and Implement Fisheries Management	11.482	0302.16.053188	—	87
			<u>—</u>	<u>2,640</u>

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Year ended June 30, 2019

<u>Pass-through grantor/program title</u>	<u>CFDA number/ identifying number</u>	<u>Pass through entity identifying number</u>	<u>Amount provided to subrecipients</u>	<u>Expenditures</u>
National Aeronautics and Space Administration:				
Montana State University – Informing UN-assisted National Biodiversity Strategy Action Plans with Earth Observations	43.001	1508281104	\$ —	61,687
University of Alabama – Climate-Influenced Nutrient Flows and Threats to the Biodiversity of the Belize Barrier Reef Reserve System	43.001	2019-042	—	<u>42,878</u>
			—	<u>104,565</u>
Department of Health and Human Services:				
New York State Department of Health – Comprehensive Adolescent Pregnancy Prevention	93.778	1508281104	—	<u>427,041</u>
			—	<u>427,041</u>
Department of State:				
Zoological Society of London – Improving a Promising Proof-of-Concept Community SMS Application for Reporting Incidences of Wildlife Crime and Human-Wildlife-Conflict	19.017	SLMAQM17GR2011	—	26,800
The Trust for Americas – Improving Stakeholder Access to Fisheries Resources Management Data via E-Services	19.750	N/A	—	<u>5,000</u>
			—	<u>31,800</u>
Total pass-through awards			<u>98,759</u>	<u>5,961,219</u>
Total research and development			<u>6,918,358</u>	<u>34,024,340</u>
Other programs:				
Department of the Interior:				
Fish and Wildlife Service:				
American Bird Conservancy – Conservation of Habitat for Two Priority Migrants in Nicaragua and Honduras	15.635	1817A	33,144	69,247
Nevada Department of Wildlife – Black Bear and Mountain Lion Interactions	15.611	F17AF00482	—	<u>15,000</u>
			33,144	<u>84,247</u>
Federal Emergency Management Agency:				
City of New York, Department of Cultural Affairs:				
New York State Department of Homeland Security and Emergency Services – Disaster Grants – Public Assistance	97.036	N/A	—	<u>35,561,752</u>
			—	<u>35,561,752</u>
Total expenditures of federal awards			<u>\$ 6,951,502</u>	<u>69,670,339</u>

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Wildlife Conservation Society and subsidiaries (WCS) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Society, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of WCS.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance or the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Schedule includes all eligible expenditures incurred by WCS that were approved by the Federal Emergency Management Agency (FEMA) in fiscal year 2019.

(3) Indirect Cost Rate

In connection with its ongoing relationship with United States Agency for International Development and the regulatory provision for its negotiated indirect cost rate agreement, WCS has been involved in finalizing provisional rates. As of June 30, 2019, WCS has finalized rates through fiscal year 2015, and has been given provisional rates for fiscal year 2016 and onward until amended. Provisional rates provided by the government are charged to the grants and adjusted in the period after the final rate is determined. WCS has not elected to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Indirect Cost Rate Calculation

Year ended June 30, 2019

	Direct costs			Indirect costs			Total expenditures
	All other excluding management and general	Reclass of direct costs	Adjusted total direct costs	Management and general	Reclass of direct costs	Adjusted management and general	
Elements of cost:							
Salaries and wages	\$ 101,097,436	(6,614,453)	94,482,983	15,018,955	6,614,453	21,633,408	116,116,391
Employee benefits and payroll taxes	37,951,507	(2,431,235)	35,520,272	4,623,883	2,431,235	7,055,118	42,575,390
Employment costs	2,497,729	(30,394)	2,467,335	415,227	30,394	445,621	2,912,956
Stipends and contract labor	11,460,705	(252,428)	11,208,277	619,072	252,428	871,500	12,079,777
Purchased services	10,425,764	(141,430)	10,284,334	1,320,978	141,430	1,462,408	11,746,742
Subgrants and subawards	15,848,992	—	15,848,992	15,744	—	15,744	15,864,736
Professional fees	2,787,521	(87,894)	2,699,627	1,942,002	87,894	2,029,896	4,729,523
Property and casualty insurance	3,737,106	(1,898,265)	1,838,841	159,892	1,898,265	2,058,157	3,896,998
Advertising	3,215,001	—	3,215,001	49,987	—	49,987	3,264,988
Repair and maintenance	7,603,797	(479,328)	7,124,469	1,042,180	479,328	1,521,508	8,645,977
Supplies and materials	16,670,415	(369,553)	16,300,862	1,072,412	369,553	1,441,965	17,742,827
Animal food and forage	2,830,927	—	2,830,927	2,770	—	2,770	2,833,697
Telephone	1,376,500	(149,336)	1,227,164	182,332	149,336	331,668	1,558,832
Utilities	5,489,183	(50,048)	5,439,135	1,257	50,048	51,305	5,490,440
Rent	5,269,988	—	5,269,988	331,941	—	331,941	5,601,929
Travel	15,130,357	(440,902)	14,689,455	621,789	440,902	1,062,691	15,752,146
Dues and fees	674,031	(150,271)	523,760	129,440	150,271	279,711	803,471
Postage and shipping	776,150	(9,381)	766,769	29,506	9,381	38,887	805,656
Cost of product sold	7,180,908	—	7,180,908	—	—	—	7,180,908
Collection accessions	561,769	—	561,769	—	—	—	561,769
Currency translation loss	1,340,953	—	1,340,953	144,615	—	144,615	1,485,568
Bond interest expense	4,731,317	—	4,731,317	—	—	—	4,731,317
Other	2,500,296	(16,905)	2,483,391	628,741	16,905	645,646	3,129,037
Total expenses exclusive of depreciation	261,158,352	(13,121,823)	248,036,529	28,352,723	13,121,823	41,474,546	289,511,075
Less direct cost adjustments – distorting items:							
Salaries and wages	—	—	—	—	—	—	—
Employee benefits and payroll taxes	—	—	—	—	—	—	—
Purchased services	(484,291)	—	(484,291)	—	—	—	(484,291)
Subgrants and subawards	(15,848,992)	—	(15,848,992)	—	—	—	(15,848,992)
Professional fees	—	—	—	—	—	—	—
Advertising	(2,945,138)	—	(2,945,138)	—	—	—	(2,945,138)
Repair and maintenance	(2,832,667)	—	(2,832,667)	—	—	—	(2,832,667)
Supplies and materials	—	—	—	—	—	—	—
Animal food and forage	(2,833,696)	—	(2,833,696)	—	—	—	(2,833,696)
Utilities	(4,955,824)	—	(4,955,824)	—	—	—	(4,955,824)
Rent	(3,130,000)	—	(3,130,000)	—	—	—	(3,130,000)
Dues and fees	(286,573)	—	(286,573)	—	—	—	(286,573)
Postage and shipping	(302,239)	—	(302,239)	—	—	—	(302,239)
Cost of product sold	(7,180,908)	—	(7,180,908)	—	—	—	(7,180,908)
Collection accessions	—	—	—	—	—	—	—
Currency translation loss	(1,340,953)	—	(1,340,953)	—	—	—	(1,340,953)
Bond interest expense	(4,731,317)	—	(4,731,317)	—	—	—	(4,731,317)
Other	—	—	—	—	—	—	—
Subtotal direct cost adjustments	(46,872,598)	—	(46,872,598)	—	—	—	(46,872,598)
Balance forward	214,285,754	(13,121,823)	201,163,931	28,352,723	13,121,823	41,474,546	242,638,477

(Continued)

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Indirect Cost Rate Calculation

Year ended June 30, 2019

	<u>Direct costs</u>			<u>Indirect costs</u>			<u>Total expenditures</u>
	<u>All other excluding management and general</u>	<u>Reclass of direct costs</u>	<u>Adjusted total direct costs</u>	<u>Management and general</u>	<u>Reclass of direct costs</u>	<u>Adjusted management and general</u>	
Less indirect cost adjustments:							
Salaries and wages	\$ —	—	—	(126,992)	—	(126,992)	(126,992)
Employee benefits and payroll taxes	—	—	—	(52,435)	—	(52,435)	(52,435)
Purchased services	—	—	—	—	—	—	—
Subgrants and subawards	—	—	—	—	—	—	—
Professional fees	—	—	—	(22,841)	—	(22,841)	(22,841)
Property and casualty insurance	—	—	—	(2,929)	—	(2,929)	(2,929)
Advertising	—	—	—	—	—	—	—
Repair and maintenance	—	—	—	(831)	—	(831)	(831)
Supplies and materials	—	—	—	(86,171)	—	(86,171)	(86,171)
Animal food and forage	—	—	—	—	—	—	—
Telephone	—	—	—	(1,860)	—	(1,860)	(1,860)
Utilities	—	—	—	—	—	—	—
Rent	—	—	—	(50,120)	—	(50,120)	(50,120)
Travel	—	—	—	(16,383)	—	(16,383)	(16,383)
Dues and fees	—	—	—	—	—	—	—
Postage and shipping	—	—	—	—	—	—	—
Currency translation loss	—	—	—	(144,615)	—	(144,615)	(144,615)
Bond interest expense	—	—	—	—	—	—	—
Other	—	—	—	(148,385)	—	(148,385)	(148,385)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(653,562)</u>	<u>—</u>	<u>(653,562)</u>	<u>(653,562)</u>
Subtotal indirect cost adjustments							
Adjusted costs	<u>\$ 214,285,754</u>	<u>(13,121,823)</u>	<u>201,163,931</u>	<u>27,699,161</u>	<u>13,121,823</u>	<u>40,820,984</u>	<u>241,984,915</u>
Indirect cost rate:							
Adjusted management and general			\$ 40,820,984			20.29 %	
Adjusted total direct costs			\$ 201,163,931				

See accompanying notes to schedule of expenditures of federal awards.



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II-1

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
Wildlife Conservation Society:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Wildlife Conservation Society and subsidiaries (WCS), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 23, 2019. Our report contained an unmodified opinion on those financial statements with an emphasis of matter paragraph regarding WCS's adoption of Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities*.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered WCS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of WCS's internal control. Accordingly, we do not express an opinion on the effectiveness of WCS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WCS's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WCS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WCS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 23, 2019



KPMG LLP
345 Park Avenue
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**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance**

The Board of Trustees
Wildlife Conservation Society:

Report on Compliance for the Major Federal Program

We have audited Wildlife Conservation Society and subsidiaries' (WCS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on WCS's major federal program for the year ended June 30, 2019. WCS's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for WCS's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WCS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of WCS's compliance.

Opinion on the Major Federal Program

In our opinion, Wildlife Conservation Society and subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of WCS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WCS's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WCS's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Wildlife Conservation Society and subsidiaries as of and for the year ended June 30, 2019, and have issued our report thereon dated October 23, 2019, which contained an unmodified opinion on those consolidated financial statements with an emphasis of matter paragraph regarding WCS's adoption of Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not for Profit Entities*. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and



other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

March 2, 2020

**WILDLIFE CONSERVATION SOCIETY
AND SUBSIDIARIES**

Schedule of Findings and Questioned Costs
Year ended June 30, 2019

(1) Summary of Auditors' Results

- a. Type of auditors' report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- c. Noncompliance material to the consolidated financial statements: **No**
- d. Internal control deficiencies over its major program disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- e. Type of report issued on compliance for its major program: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major program: **Disaster Grants – Public Assistance – 97.036**
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$2,090,110**
- i. Auditee qualified as low-risk auditee: **Yes**

**(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance With
*Government Auditing Standards***

None

(3) Findings and Questioned Costs Relating to Federal Awards

None